

Message Text

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ACTION NEA-06

INFO OCT-01 ISO-00 FEA-01 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-03 FPC-01 H-01 INR-10

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FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 7125

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FOLL TEL SENT ACTION ISLAMABAD OCT 8 FROM LAHORE REPEATED
FOR YOUR INFO:

QUOTE

LIMITED OFFICIAL USE LAHORE 1334

ALSO FOR USAID

E.O. 11652: N/A

TAGS: EIND, PK

SUBJECT: NATURAL GAS FOR FERTILIZER PLANTS

REF: LAHORE 1322

1. ON OCT 7, DPO DISCUSSED SUBJECT OF AVAILABILITY OF
NATURAL GAS FOR FAUJI AND DAWOOD-HERCULES (DH) FERTILIZER
PLANTS WITH A. U. LOAN, MANAGING DIRECTOR OF SUI NORTHERN
GAS (SNG). DPO RECALLED THAT CHIEF MINISTER RAMAY HAD
MENTIONED TO CONSUL GENERAL IN AUGUST THAT PROVISIONAL
GOVERNMENT FORESAW PROBLEMS IN OBTAINING SUFFICIENT GAS

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FOR ALL OF PUNJAB'S ANTICIPATED INDUSTRIAL DEMANDS. ON
OTHER HAND, PUNJAB INDUSTRIES SECRETARY RAHIM HAD SAID ON

OCT 4 HE BELIEVED SUFFICIENT GAS WOULD BE AVAILABLE FOR BOTH FAUJI AND DH PLANTS.

LOAN RESPONDED THAT CHIEF MINISTER AND INDUSTRIES SECRETARY WERE PROBABLY BOTH RIGHT. HE EXPLAINED THAT DEMAND FOR SUI GAS WAS GREATER THAN PROJECTED PRODUCTION. HOWEVER, IF GOP DECIDED THAT FERTILIZER PLANTS WERE TO BE GIVEN PRIORITY ALLOCATIONS OF GAS, THEN THERE SHOULD BE NO PROBLEM FOR EITHER FAUJI OR DH. LOAN ELABORATED THAT SNG HAS BEEN ALLOCATED 400 MILLION CUBIC FEET PER DAY FROM SUI FIELD, OR ABOUT 60 PERCENT OF TOTAL SUI OUTPUT. OF THIS, SOME 60 MILLION CUBIC FEET IS PRESENTLY earmarked FOR FERTILIZER PRODUCTION AND 114 MILLION CUBIC FEET FOR POWER GENERATION. REMAINDER IS DIVIDED AMONG VARIOUS INDUSTRIES. HE REITERATED THAT GOP MUST MAKE DECISION ABOUT ITS PRIORITIES FOR GAS ALLOCATIONS, AND SAID HE PERSONALLY FAVORED HEAVY ALLOCATIONS FOR FERTILIZER. IN THIS REGARD, HE NOTED THAT HE WAS MEMBER OF GOP ENERGY RESOURCES ALLOCATION BOARD.

3. LOAN AGREED WITH INDUSTRIES SECRETARY RAHIM IN SAYING THAT FAUJI PLANT WAS SCHEDULED TO OBTAIN ALL ITS GAS FROM MARI FIELD. HE ASSERTED THAT MARI WAS LARGE ENOUGH TO TAKE CARE OF ESSO, FAUJI AND AT LEAST THREE OR FOUR ADDITIONAL PLANTS THE SIZE PLANNED BY NFC. (HE INDICATED HE HAD SPOKEN ON THIS SUBJECT TO NFC CHAIRMAN BABAR ALI EARLIER OCT 7 AND EXPLAINED THE SITUATION TO HIM.) HE SAID MARI COULD ALSO SUPPLY HERCULES EXPANSION, BUT INHIBITING FACTOR WAS LACK OF PIPELINE FROM MARI TO HERCULES.

4. IF SUI WERE ORDERED TO SUPPLY DH, LOAN FORESAW NO PARTICULAR PROBLEM, SAYING REINFORCING OF EXISTING PIPELINE WOULD BE RELATIVELY INEXPENSIVE AND COULD BE ACCOMPLISHED FAIRLY QUICKLY. IN ANY CASE, DOUBLING OF PRESENT DH FEEDSTOCK WOULD NOT BE ANY PARTICULAR STRAIN ON SUI NORTHERNGM (DH NOW USES 40 MILLION CUBIC FEET OF GAS PER DAY -- 11 MILLION CUBIC FEET OF WHICH IS USED FOR FIRING BOILERS.) DOUBLING PRODUCTION WOULD NECESSITATE TOTAL OF LIMITED OFFICIAL USE
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58 MILLION CUBIC FEET, IF DH USED FUEL OIL FOR FIRING BOILERS. PLANT WOULD THUS NEED ONLY ADDITIONAL 18 MILLION CUBIC FEET FOR DOUBLING ITS PRESENT PRODUCTION. THIS AMOUNT IS CONSIDERED NEGLIGIBLE IN CONTEXT OF SUI NORTHERN'S 400 MILLION CUBIC FEET ALLOCATION.

5. LOAN SAID THAT, WHILE NO ONE COULD PREDICT WITH CERTAINTY THAT NEW GAS FIELDS WOULD SOON BE DISCOVERED WHICH WOULD ALLOW PAKISTAN TO DRASTICALLY INCREASE NATURAL GAS OUTPUT, HE BELIEVED THAT POTENTIAL WAS SURELY THERE. (AS CREDENTIALS,

HE NOTED HE HAD WORKED WITH BOTH AMERICAN AND CANADIAN COMPANIES IN THE PAST, AS WELL AS AT THE MARI FIELD AS PROFESSIONAL GEOLOGIST AND PETROLEUM ENGINEER.) LOAN ASSERTED THAT THERE IS EVERY INDICATION THAT "NUMEROUS" GAS FIELDS EXIST IN PAKISTAN HOLDING GOOD QUALITY GAS IN SIGNIFICANTLY GREATER QUANTITY THAN FIELDS WHICH ARE PRESENTLY IN PRODUCTION. HE EXPRESSED GREAT OPTIMISM FOR CURRENT AMOCO EXPLORATIONS AND SAID THAT, WHETHER AMOCO DECIDED TO PRODUCE NATURAL GAS OR NOT, FIRM WOULD PROBABLY FIND SEVERAL COMMERCIALY VIABLE FIELDS OF WORLD CLASS WHICH COULD BE TAPPED BY OTHERS SUCH AS SUI. IN PARTICULAR, HE THOUGHT PRELIMINARY FINDINGS IN DERA GHAZI KHAN (NOT DERA ISMAIL KHAN AS MENTIONED REFTEL) WERE EXTREMELY PROMISING. HE BELIEVED THAT NEW FIELDS COULD EVEN BE PUT INTO PRODUCTION IN TIME TO MEET NEEDS OF NEW FERTILIZER PLANTS, ASSUMING THAT GOVERNMENT GAVE GO-AHEAD, AND THAT STEEL AND OTHER IMPORTED MATERIALS WOULD BE AVAILABLE. IN THAT REGARD, HE SUGGESTED THAT FERTILIZER PLANT BUILDERS WOULD HAVE DIFFICULT TIME IN OBTAINING STEEL AND MACHINERY, AS WOULD OIL AND GAS PIPELINE BUILDERS.

6. UNABLE REACH INDUSTRIES SECRETARY OCT 7 OR 8 FOR FURTHER DISCUSSION OF SUBJECT.

7. COMMENT: LOAN'S OPTIMISM CONCERNING FUTURE AVAILABILITY OF VAST QUANTITIES OF NATURAL GAS IN PAKISTAN MAY BE WELL-FOUNDED, BUT WE BELIEVE PLANNING BY FERTILIZER COMPANIES SHOULD CAREFULLY TAKE INTO ACCOUNT HIS CAVEAT ABOUT AVAILABILITY OF IMPORTED STEEL AND MACHINERY, AS WELL AS WELL-KNOWN TENDENCY FOR THINGS TO TAKE LONGER THAN EXPECTED IN PAKISTAN. PRESUME DH WOULD PREFER TO NEGOTIATE WITH GOP FOR CONTINUED LIMITED OFFICIAL USE
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SUPPLY OF NATURAL GAS RATHER THAN SWITCH TO MORE COSTLY IMPORTED FUEL OIL TO FIRE BOILERS, SINCE THAT WOULD CHANGE ECONOMIC BASIS OF CURRENT SET-UP.

8. REQUEST EMBASSY PASS DEPARTMENT/AID/W AS DESIRED.
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UNQUOTE BYRAOADE

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